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ECONOMIC REPERCUSSIONS OF INCREASING MINIMUM WAGE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan [Mr. SMITH] is recognized for 5 minutes.

Mr. SMITH of Michigan. Mr. Speaker, I would like to make some comments on how we should increase wages of workers in this country and how we should not increase those wages.

The debate over the minimum wage is a debate really about the fundamental principles of government and how our society is to be organized. Unfortunately, the debate has been framed in terms of politics rather than policy. In light of this, I would like to make three points:

First, historically it has been well noted by many economists, Frederick Bastiat pointed out in 1853 that a just government would not interfere in a person's right to contract with someone else for his or her labor services.

Now, what this minimum wage legislation will do is tell, for example, a senior that wants to work part-time at maybe a day-care center, and 48.5 percent of those receiving minimum wages are voluntary part-time workers, that she or he cannot work if the day-care center cannot afford to pay \$5.15 per hour.

It says to the black teenager that he cannot try to get a first job and learn a skill if that employer cannot pay \$5.15 per hour, and if his services are not worth that at the beginning of his employment, prior to training, then he will not have that opportunity.

Those who would support the minimum wage must hold the position that government can tell you at what rate you can sell your labor. So here is a Federal law saying you cannot work, you cannot sell your labor, for less than what the Federal Government mandates is a fair wage.

This is not consistent with a just society or the freedom of individuals.

Second, an increase in the minimum wage is really going to harm the poor. Increasing the minimum wage must result in some workers being laid off. So the question is, are we going to pass a law that helps some, because some will benefit from an increase in minimum wage, while at the same time telling a few of those who are no longer going to be employed that they cannot be employed because the employer will not pay them the higher minimum wage that is contemplated to be established?

It is just a matter of how many jobs will be lost. Assuming no job losses is equivalent to assuming a perfectly inelastic demand for unskilled labor, which clearly is not the case.

This is just a quick effort to represent the supply and demand for the

market for unskilled, entry level jobs. If you have the demand curve going down; in other words, the higher the wages, the less number are going to be employed, and so as the demand curves down to a lower wage and a greater number being employed, and likewise the supply is going to increase so the higher the wages the more people that are going to be looking for those jobs, you end up at the intersection with what is the equilibrium wage. If we raise the minimum wage higher, that means this change will represent that number of people that are going to no longer be employed.

It just makes sense that there are some people in our society at the beginning that will no longer be able to be employed if we raise the minimum wage up to \$5.15 an hour. But increasing the minimum wage will not make any dent in the poverty rate. Of the 23.5 million adults in poverty, just over 2 percent are working for the minimum wage. Increasing the minimum wage will cost the unskilled their job opportunities.

Professors Neumark and Wascher, in their paper in Industrial and Labor Relations Review, estimate a 90-cent increase in the minimum wage will destroy more than one-half million unskilled jobs.

Now, an increase in the minimum wage of 90 cents will raise prices by an estimated 2.2 billion, and those price increases will mostly affect poor people. This price rise will come about because some small businesses in competitive industries will go out of business or produce less. This decrease in supply will show up in the form of higher prices for the goods and services produced in low wage industries, and who buys their goods in stores are certainly the poor people. The wealthy are not going to lose their jobs or their businesses.

The way to increase wages is to cut the payroll taxes, cut the capital gains tax, balance the budget, make sure we do not have an increase in inflation, increase the skills of the future work force and current work force, and enact significant regulatory reform.

The debate over minimum wage is a debate about the fundamental principles of government and how our society is to be organized. Unfortunately, the debate has been framed in terms of politics rather than policy. In light of this, I'd like to make three points.

First, as Frederick Bastiat pointed out in 1853, a just government would not interfere in a person's right to contract with someone else for his or her labor services. What this minimum wage legislation will do is to tell the senior that wants to work part-time at the day care center, and 48.5 percent of minimum wage workers are voluntary part-time workers, that she cannot work if the day care center cannot afford to pay her \$5.15 an hour. It says to the black teenager that he cannot try to get a first job, and the training that will go along with it, unless he can produce \$5.15 per hour worth of services. Those who would support the minimum wage must hold the position that the government can tell you at what rate you

can sell your labor services. This is not consistent with a just society of free individuals.

Second, an increase in the minimum wage will harm the poor. Increasing the minimum wage must result in workers being laid off and fewer job opportunities. It is just a matter of how many jobs will be lost. Assuming no job losses is equivalent to assuming a perfectly inelastic demand for unskilled labor, which clearly is not the case. Those that wish to increase the minimum wage assume that a majority of the Congress with the approval of the President may decide that those who lose their jobs, or are denied their first job, must suffer this in order to make others better off. But increasing the minimum wage will not make any dent in the poverty rate. Of the 23.5 million adults in poverty, just over 2 percent are working at minimum wage. And increasing the minimum wage will cost the unskilled their job opportunities. Professors Neumark and Wascher, in their paper in Industrial and Labor Relations Review, estimate a 90-cent increase in the minimum wage will destroy more than one-half million unskilled jobs. The unemployment rate among black teenage males is currently greater than 38 percent, while the national rate for adult males is 5 percent. Who is likely to suffer from the loss of low-skilled jobs?

An increase in the minimum wage of 90 cents will raise prices by \$2.2 billion. This price rise will come about because some small businesses in competitive industries will go out of business or produce less. This decrease in supply will show up in the form of higher prices for the goods and services produced in low-wage industries. And who buys their goods at stores staffed by people making minimum wage? Who buys food at restaurants that hire first-time workers? The wealthy are not going to suffer from the higher prices. The wealthy are not going to lose their jobs or their business because of an increase in the minimum wage. But the poor, unskilled, job-seeker, and the small business owner on the edge of making it will suffer. How can we as a Congress claim that we can make the decision that these people must suffer in order for some other people to gain? It is time to admit that this increase in the minimum wage is an unjust interference of the Government in the lives of the working poor which will cause more harm than good.

COMMEMORATION OF THE 81ST ANNIVERSARY OF THE ARMENIAN GENOCIDE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts [Mr. MEEHAN] is recognized for 5 minutes.

Mr. MEEHAN. Mr. Speaker, I rise today to commemorate the 81st anniversary of the Armenian genocide. Once again, I join my colleagues and Armenians around the world to honor over 1.5 million Armenians who were killed in this tragic event.

Like every human tragedy, we must retell this terrible story to our children to teach a lesson: Hatred and bigotry must not be tolerated. Instead, as our world grows smaller every day, we must learn to live together in a global village. We must discover and treasure the differences among peoples around